

Message Text

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C O N F I D E N T I A L STATE 221829

STADIS/////////////////////////////////
FOR HEGINBOTHAM ON ARRIVAL FROM EA/EP

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: EXIM PROGRAMS IN THAILAND AND INDONESIA

1. EA/EP OBTAINED UPDATE ON EXIM PROGRAMS IN THAILAND AND
INDONESIA FROM BANK'S LOAN OFFICERS FOR BACKGROUND USE
DURING YOUR VISIT TO THOSE COUNTRIES. FOLLOWING COMMENTS
REPRESENT INFORMAL EXIM STAFF VIEWS AND DO NOT
NECESSARILY REFLECT CONSIDERED VIEWS OF EXIM BOARD.

2. THAILAND

A. CURRENT EXPOSURE (ALL MATURITIES, INCLUDING FCIA
INSURANCE AND UNDISBURSED COMMITMENTS) IS DOLS 70M, OF
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WHICH DOLS 40-45M FINANCED AIRCRAFT SALES AND DOLS 16M ARE
TIED UP IN SIAMKRAFT. PRELIMINARY COMMITMENTS ON FIVE
AIRCRAFT WOULD RAISE EXPOSURE TO DOLS 250M, BUT MOST
LIKELY OUTCOME IS SALE OF ONE PLANE AT BEST.

B. ALTHOUGH SIAMKRAFT CASE HAS CREATED STRONGLY
NEGATIVE REACTION TO THAILAND ON BOARD OF DIRECTORS, EXIM

IS CONTINUING TO ENCOURAGE APPLICATIONS FOR FINANCING.
THE BOARD MAY BE WILLING TO ALLOW EXIM EXPOSURE IN THAILAND
TO INCREASE SEVERAL FOLD FROM PRESENT LOW LEVEL. HOWEVER,
EXIM IS REQUIRING A BANK OR GOVERNMENT GUARANTEE ON ALL
TRANSACTIONS.

C. PENDING APPLICATIONS INCLUDE THE FOLLOWING:

-- GENERAL ELECTRIC, DOLS 1800 FOR A NUCLEAR POWER
PLANT FOR EGAT;

-- SIAM CEMENT, DOLS 40M; BUT THIS IS UNLIKELY TO
BE APPROVED BECAUSE SIAM CEMENT HAS BEEN UNWILLING TO
SEEK A BANK OR GOVERNMENT GUARANTEE AND, DESPITE ITS
SIZE, HAS SUFFERED LOSSES AT TIMES IN THE PAST BECAUSE OF
RTG PRICE CONTROLS;

-- SEVERAL COMPANIES ARE SEEKING FINANCING FOR THE
MANUFACTURE OF PIPE OR GAS PUMPS IN THAILAND TO SUPPLY
THE GAS PIPELINE;

-- ONE OR MORE APPLICATIONS IN CONNECTION WITH NEW
PORT IN SOUTHEAST THAILAND;

-- SHELL, DOLS 110-115M FOR LUBE OIL PLANT;

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-- THAI PULP CO., DOLS 25M; THIS IS UNLIKELY TO BE
APPROVED AS IT IS A COMPETITOR OF SIAMKRAFT.

3. INDONESIA

A. CURRENT EXPOSURE IS ABOUT DOLS 600M, BUT WITH
THE EXCEPTION OF A CEMENT PLANT EXPANSION, THERE HAVE BEEN
NO NEW AUTHORIZATIONS IN OVER A YEAR.

B. EXIM VIEWS INDONESIA AS RISKY AND ITS PRESENT
EXPOSURE AS ON THE HIGH SIDE, BUT IT IS OPEN FOR
BUSINESS. EXIM CURRENTLY REQUIRES THAT THE GOI BE THE
OBLIGOR OR GUARANTOR OF FINANCING, OR THAT THE SUPPLIER
HAVE AS GUARANTOR A CREDITWORTHY ENTITY OUTSIDE INDONESIA
(BANK OR PARENT FIRM). IT OPENLY DISCOURAGES APPLICANTS
WHERE THERE IS NO SPONSOR IT CONSIDERS SUFFICIENTLY
CREDIT WORTHY. THE EFFECT OF THIS REQUIREMENT HAS BEEN
THAT PRIVATE PROJECTS ARE LARGELY DISQUALIFIED. EXIM
HAS RECENTLY DONE LITTLE FINANCING OF GOVERNMENT PROJECTS
AS UELL PRIMARILY BECAUSE, SINCE LATE 1975, THE GOI HAS
BEEN USING INTERNATIONAL TENDERS TO SHOP AROUND FOR THE
BEST PRICE AND FINANCING PACKAGES, AND IT HAS BEEN GET-

TING BETTER DEALS FROM OTHERS, CHIEFLY JAPAN, GERMANY,
AND FRANCE. BEFORE IT WILL DEPART FROM NORMAL INTEREST
RATES TO MEET COMPETITION, EXIM BOARD REQUIRES A CON-
VINING CASE, WHICH INVOLVES MORE INFORMATION ON COMPETING
TERMS THAN IS USUALLY AVAILABLE. AS A RESULT, IT RECENTLY
HAS APPROVED ONLY ONE PRELIMINARY COMMITMENT FOR INDONESIA
AT BELOW NORMAL INTEREST RATES (8 TO 9 PERCENT, DEPENDING

ON THE MATURITY). EXIM STAFFER SPECULATED, HOWEVER, THAT
THERE MAY BE LIMITS TO EXPOSURE THAT OTHER NATIONAL EXPORT
CREDIT AGENCIES WISH IN INDONESIA, AND AT SOME POINT THESE
AGENCIES MAY REDUCE THE COMPETITIVE HEAT.

C. THERE IS A LARGE NUMBER OF PENDING APPLICATIONS,
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BUT THE ABOVE FACTORS LIMIT PROSPECTS FOR NEW AUTHORI-
ZATIONS AT PRESENT.
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